



# The Real Estate ANALYST

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*Real Estate Economists, Appraisers and Counselors*

## RESIDENTIAL RENT LEVELS AND HOUSING SURPLUS

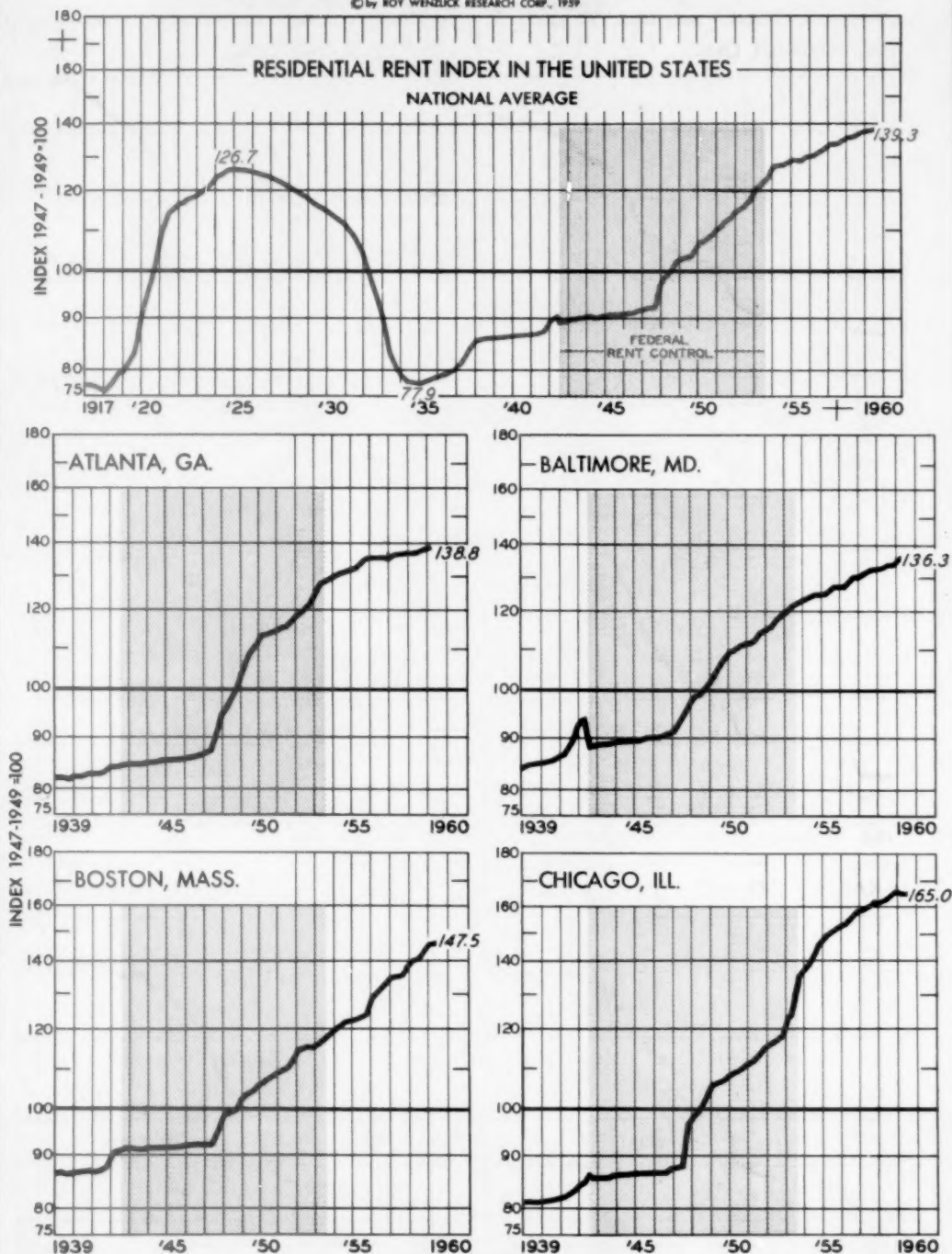
ACCORDING to the Bureau of Labor Statistics, rents for May 1959 have remained unchanged from April. This is the first time since February 1957 that the rent index has not continued its upward climb each month, and is further indication of the slowing down in the rate of increase of residential rents since 1954. The charts on the next four pages show the national residential rent index from 1917 to May 1959 and the residential rent index from 1939 to 1959 for each of 21 cities. A comparison of the chart of the national index on page 300 with the chart of trends of housing surplus of rental units on page 304 shows why there has been this slowdown in the rate of increase of rents. It was in 1953 that the trend of housing surplus began its accelerated increase from about 2,000 to its latest peak of 19,367. The latter index is an indicator of the excess supply of places for rent in comparison with the number of people looking for places to rent.

The trend of housing surplus of rental units is the ratio of "For rent" ads to "Wanted to rent" ads. The resulting curve has been positioned so that the first year of data shown is at the same point as the number of "For rent" ads for the corresponding time period. Usually, when "For rent" ads are increasing, "Wanted to rent" ads are decreasing, and vice versa. The division of an increasingly smaller number into a growing amount thereby results in a rapidly accelerating curve. The recession of last year shows up in an accelerated increase in housing surplus of rental units. With the recovery of 1958-59 there has been a decline in this index.

Although the increase in rents is being dampened by the increase in housing surplus, we expect the rent index to continue upward. The reason for this is that rents are still too small a return for investors in comparison with other investments, and there is going to be a need for increased building of apartment buildings in the next 10 years. The increased birth rate of the 1940's will result in an increase of 20-year-olds in the 1960's. The number of persons in this age group will practically double by 1975. There will be an increase of marriages and family formations. However, the average age of home buyers is close to 35 years. The number of persons reaching this age will decline for the next 10 years. Therefore, there will be an increased need for multifamily dwellings. On the other hand, the cost per square foot of an 18-family brick apartment has increased from \$4.55 per square foot in 1939 to \$14.52 per square foot in 1959, an increase of 219.3 percent. During the same period rents have increased only 52.7 percent. Multifamily dwellings have become less attractive as an investment. In 1939, 28 percent of new dwelling units were multifamily units, while in 1958 only 23 percent were multifamily units.

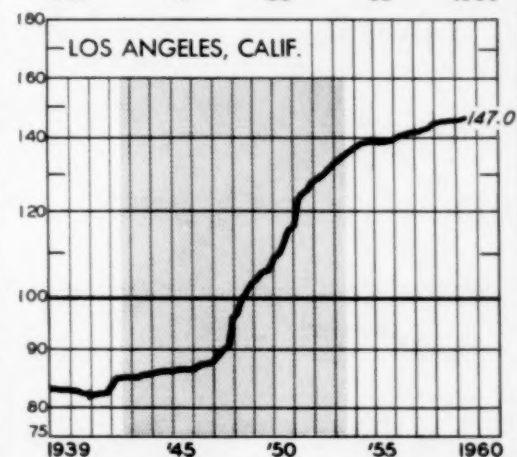
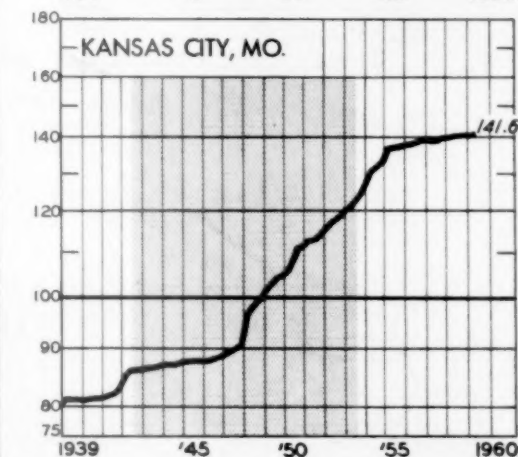
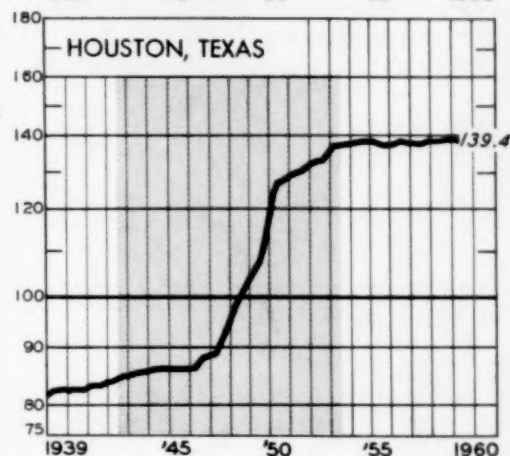
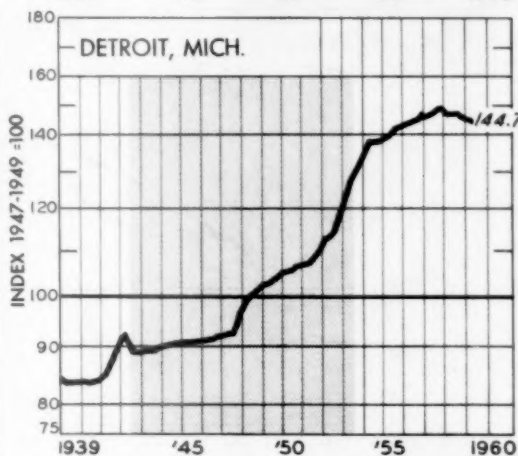
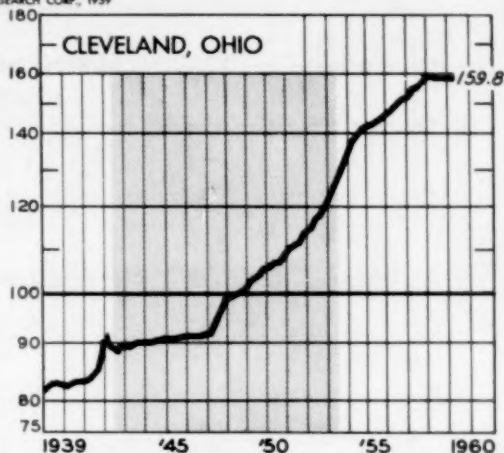
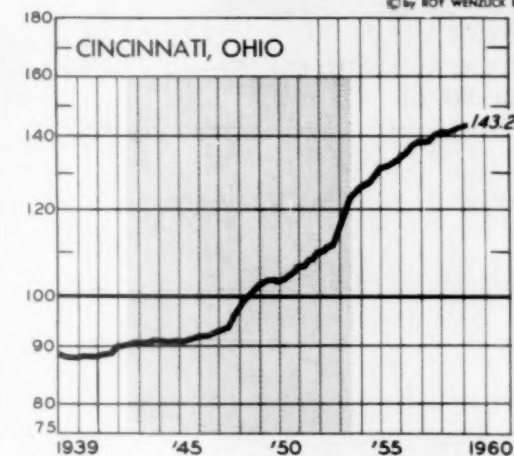
# RESIDENTIAL RENTS IN SELECTED CITIES

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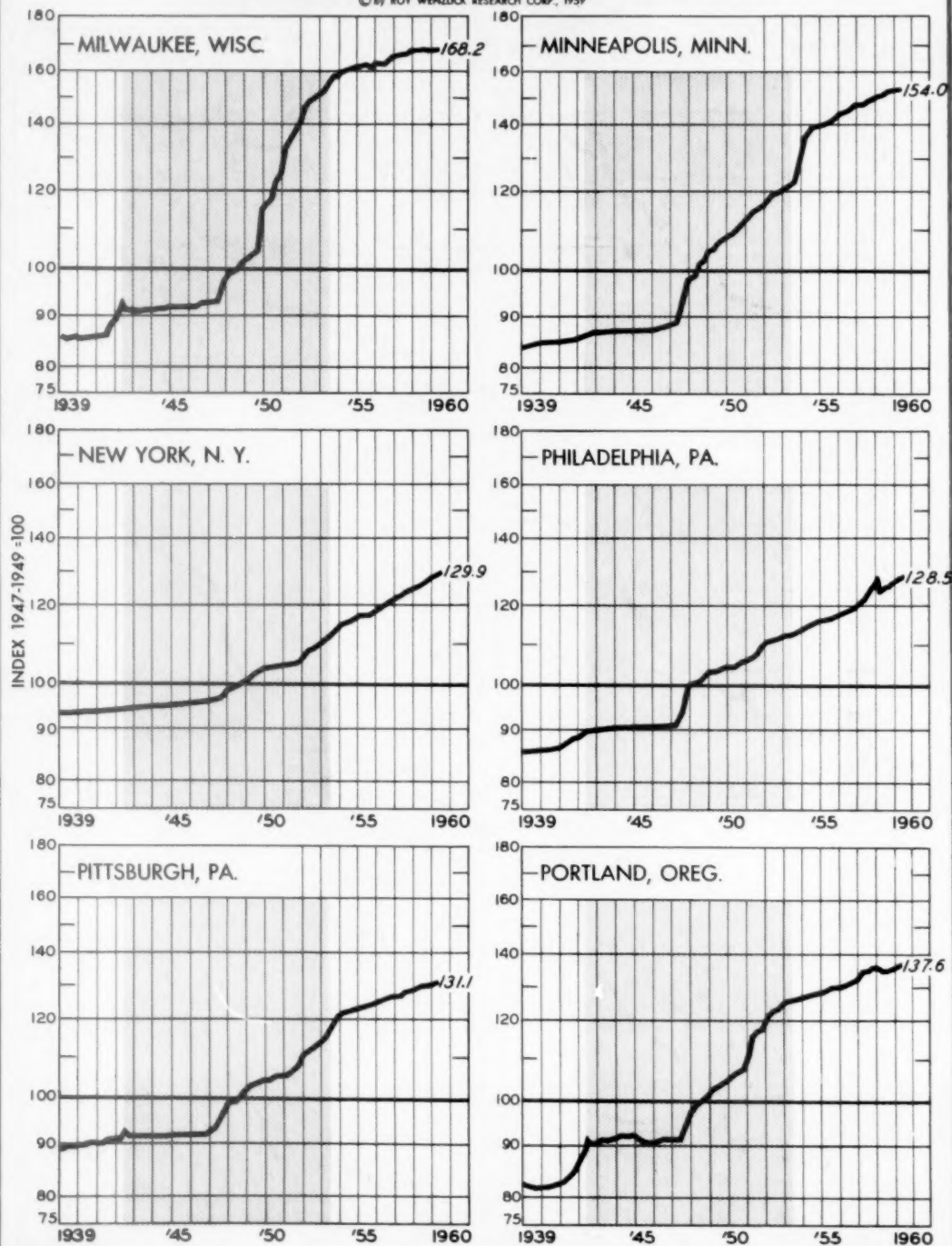
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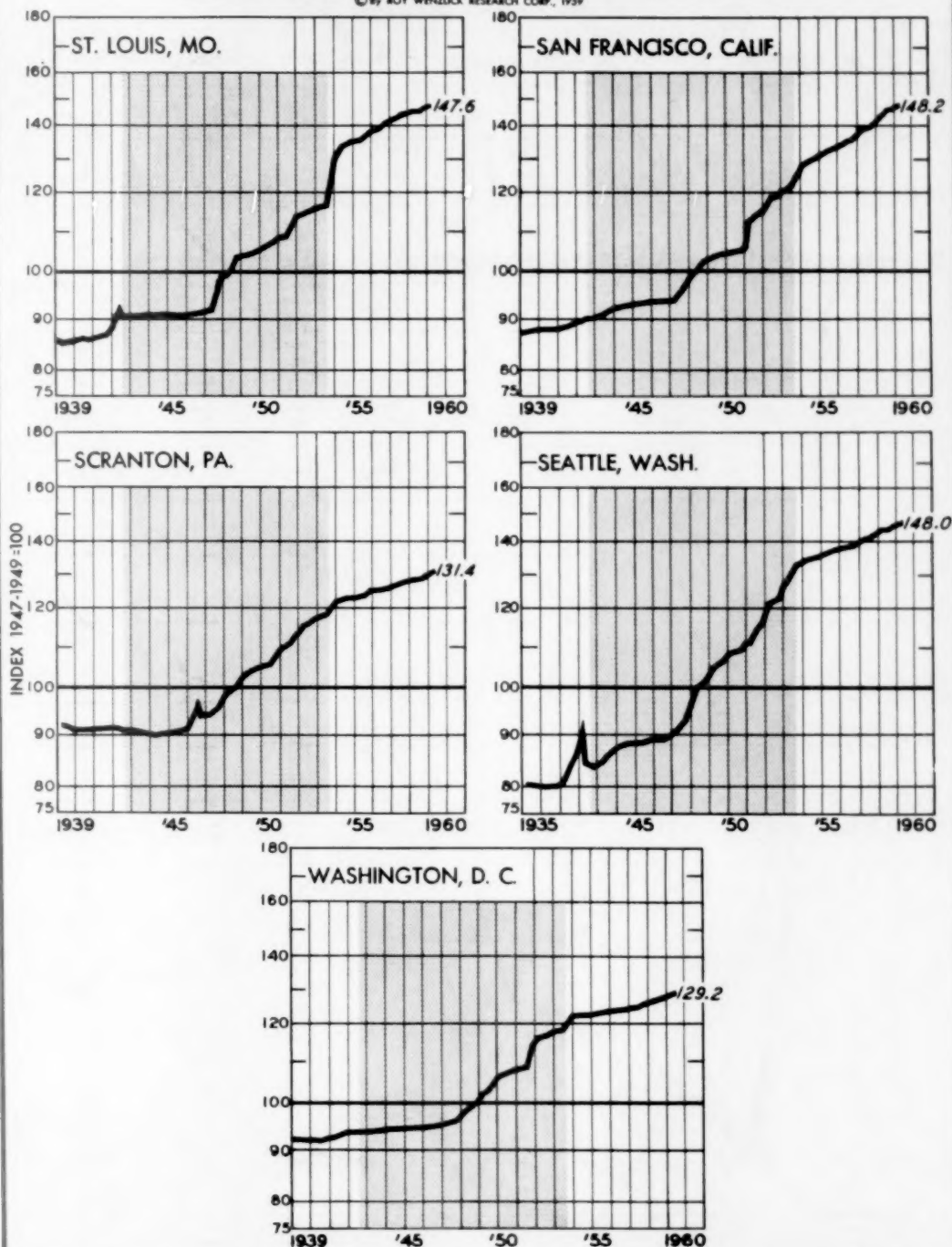
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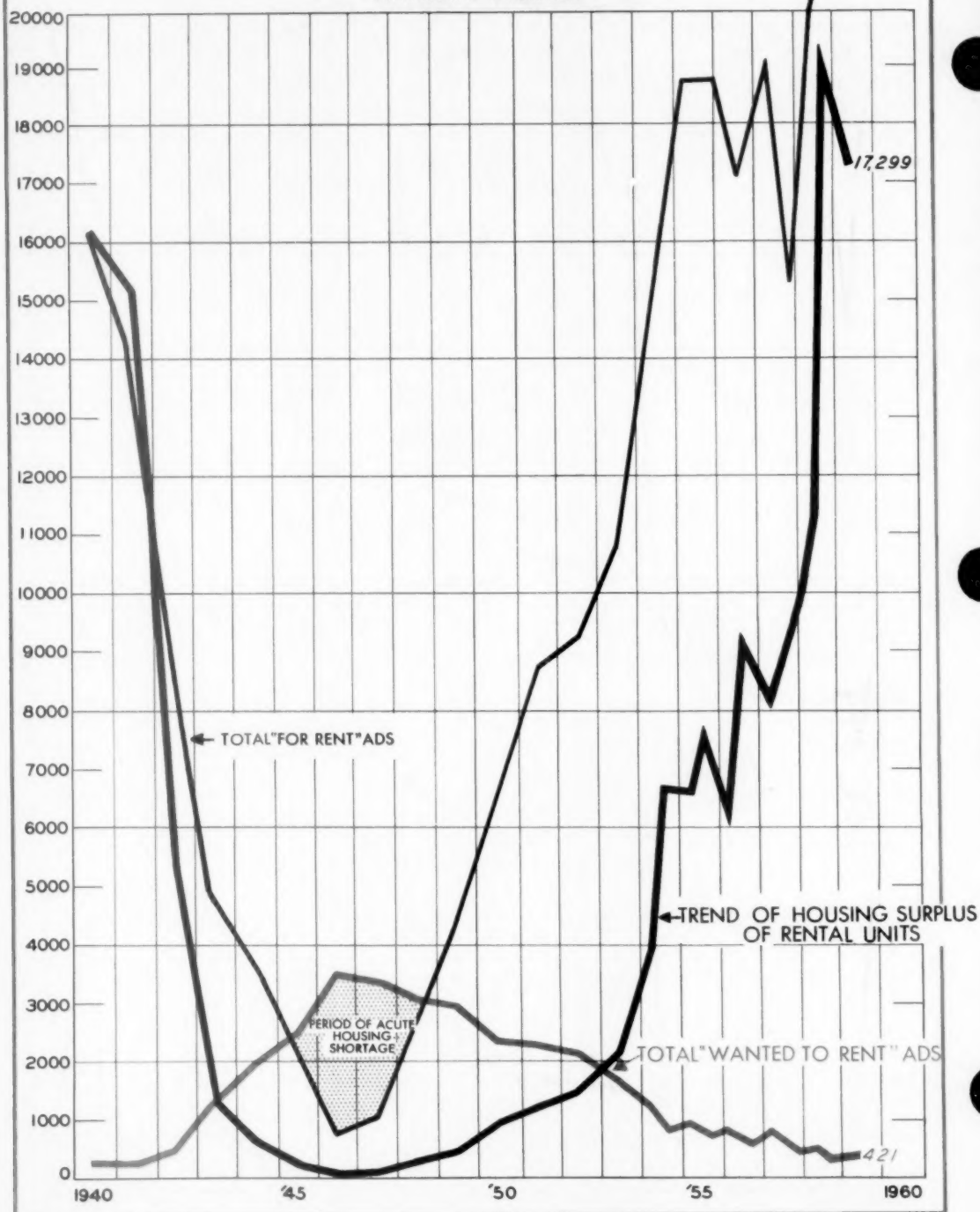
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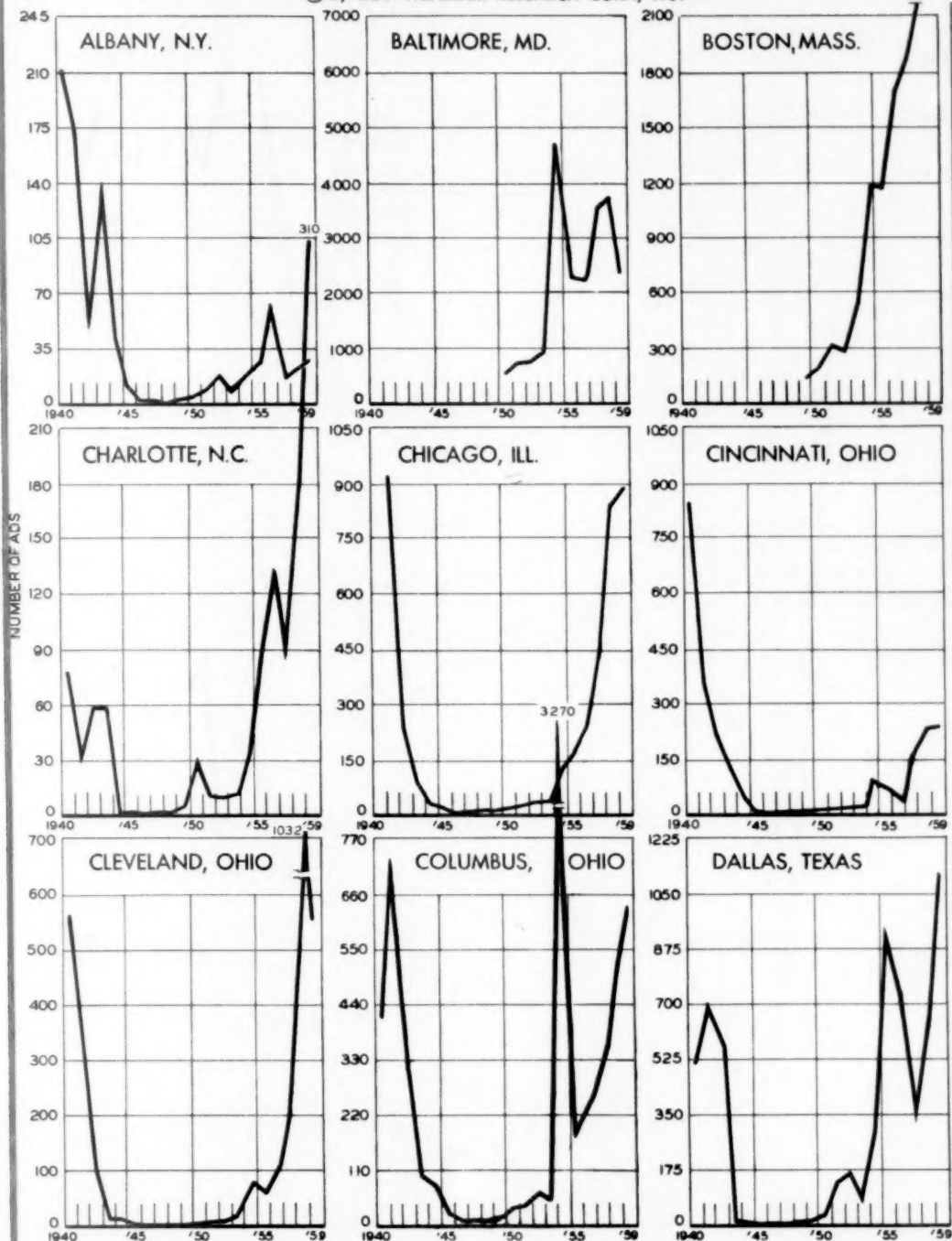
# TRENDS OF HOUSING SURPLUS OF RENTAL UNITS

NATIONAL AVERAGE

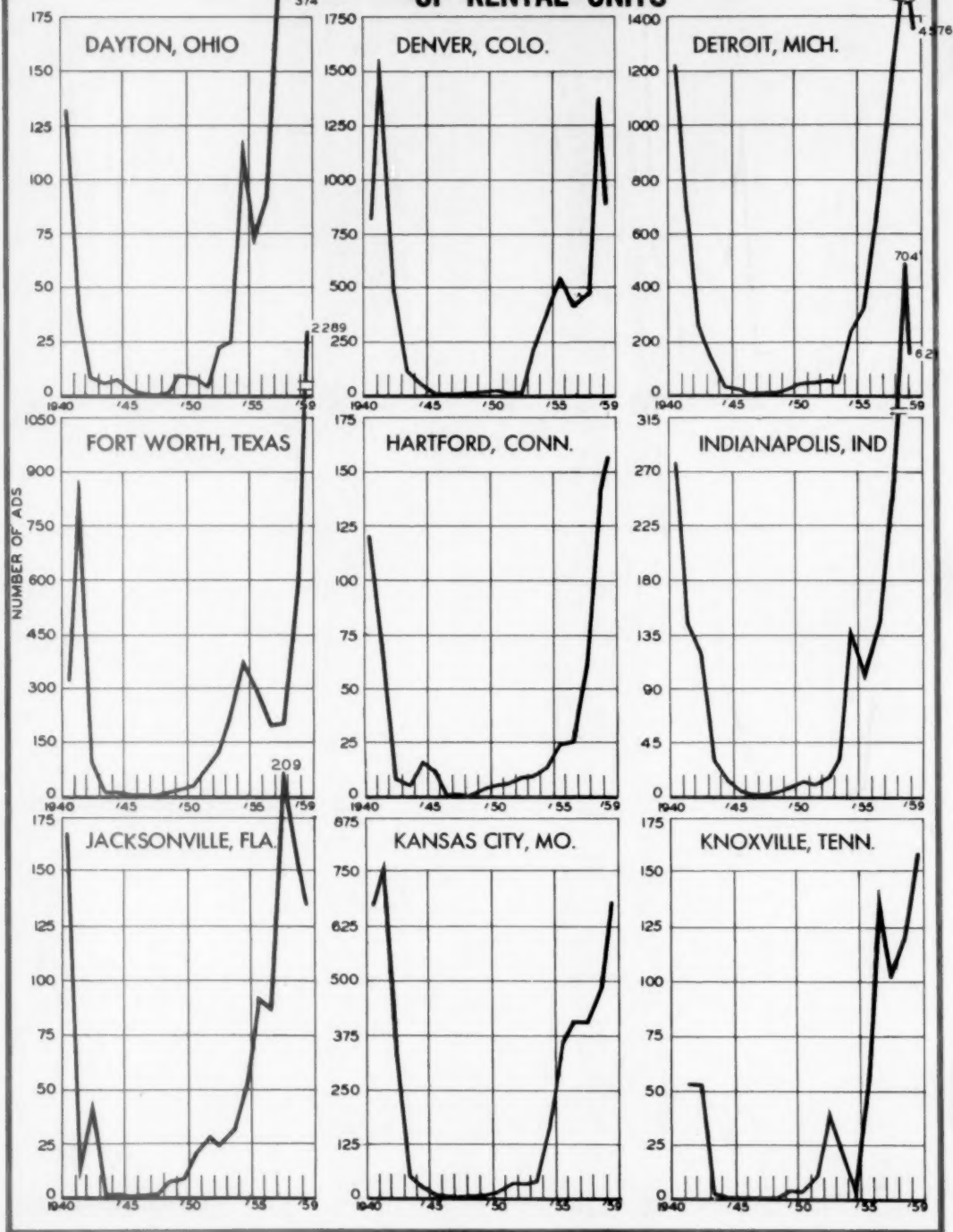


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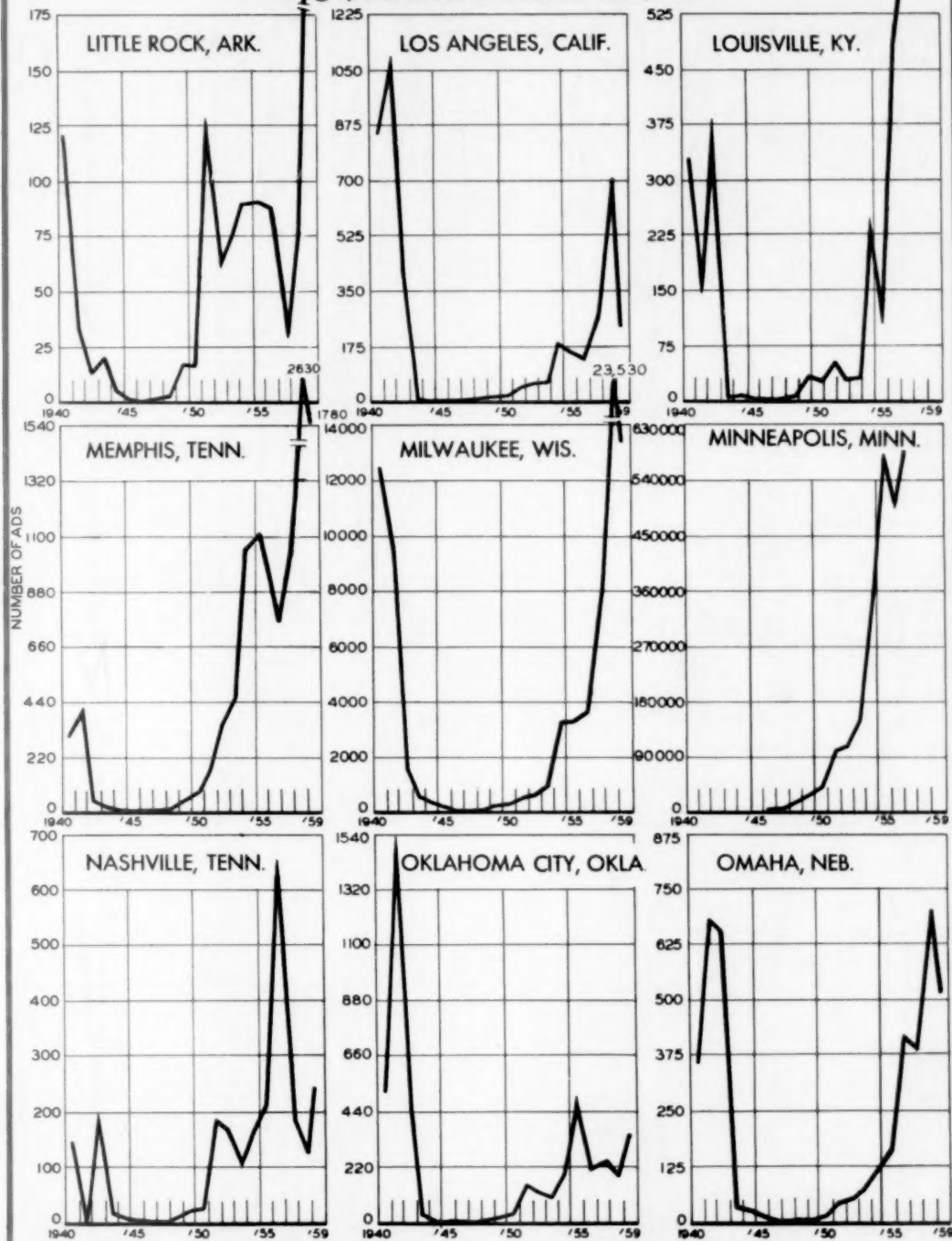
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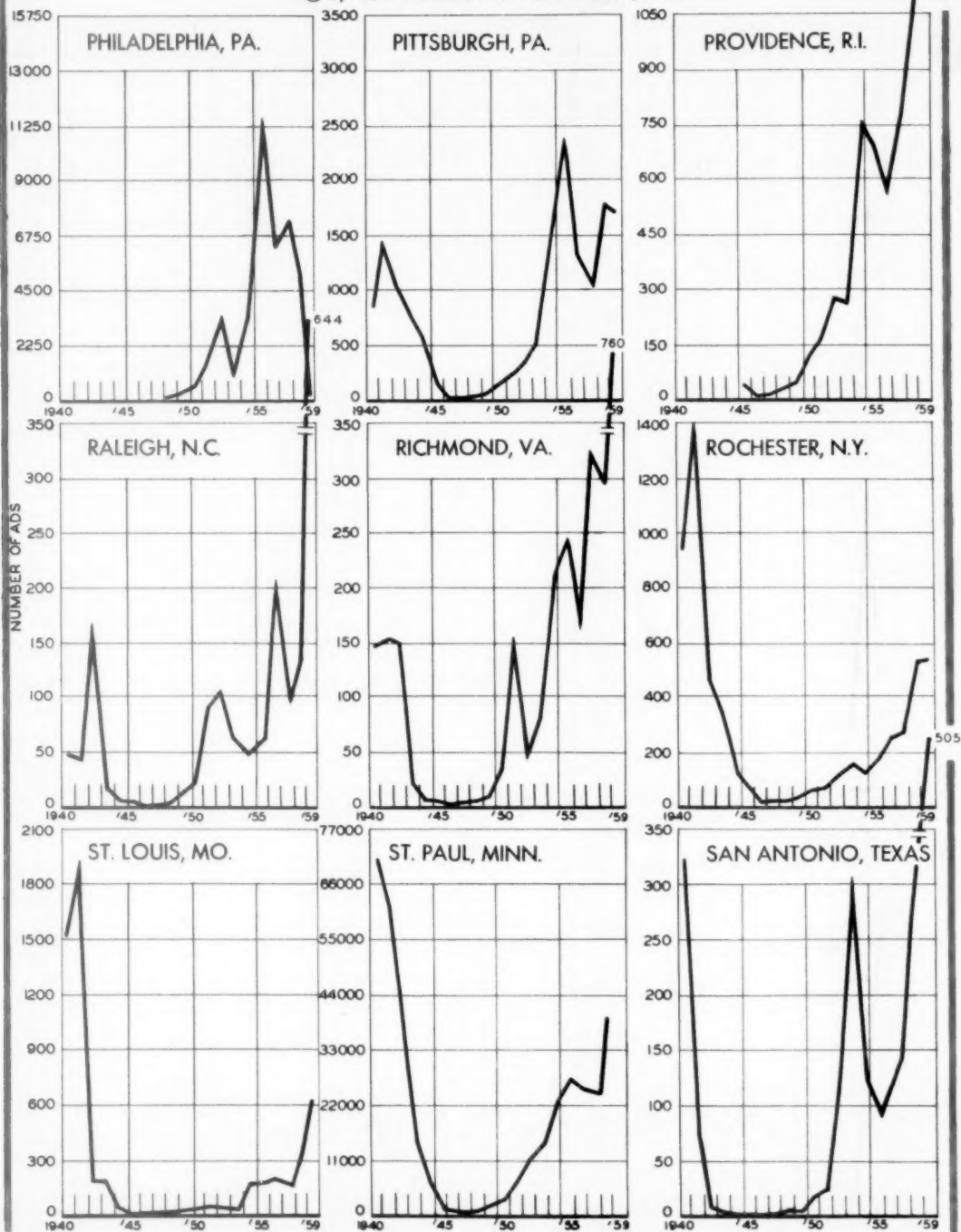
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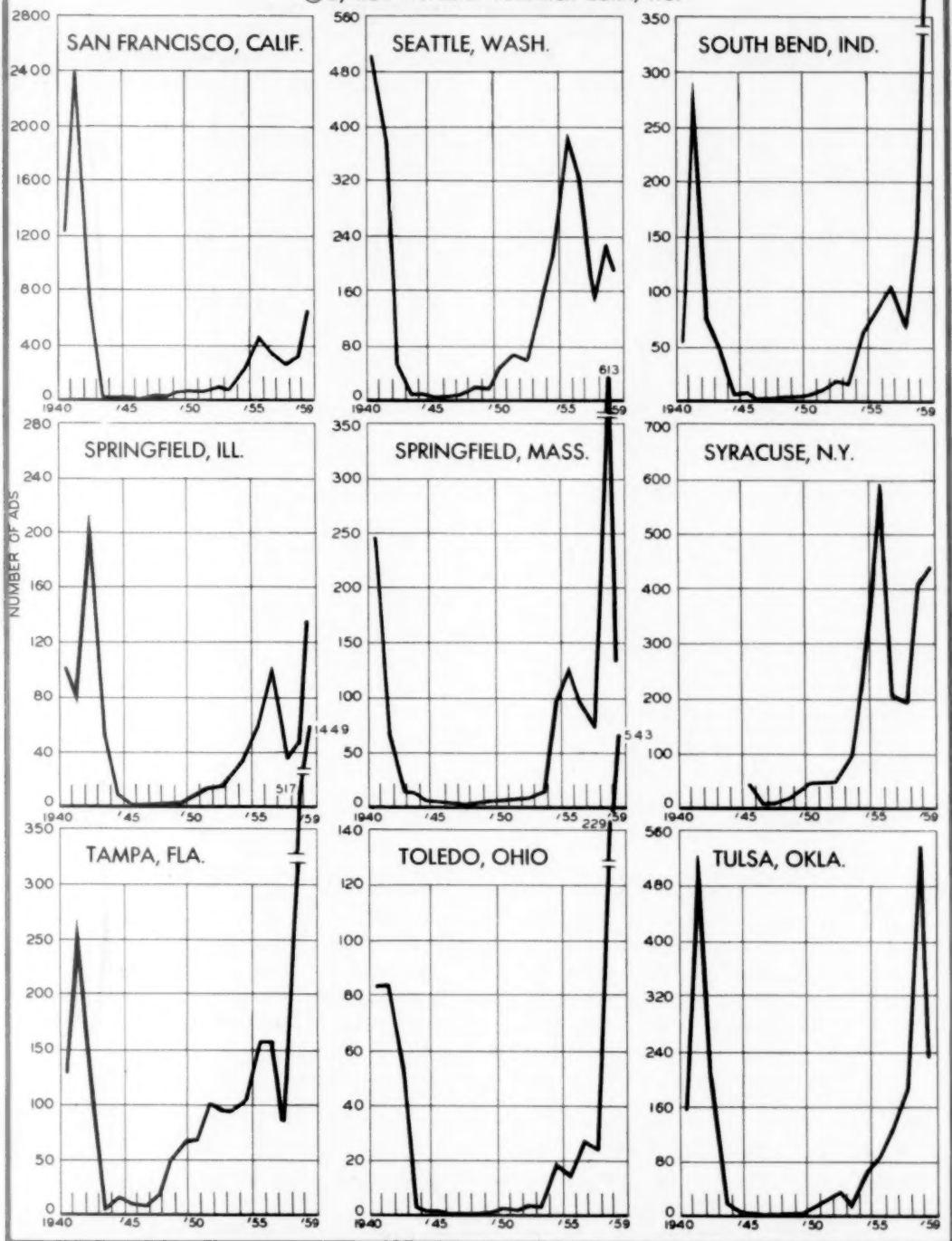
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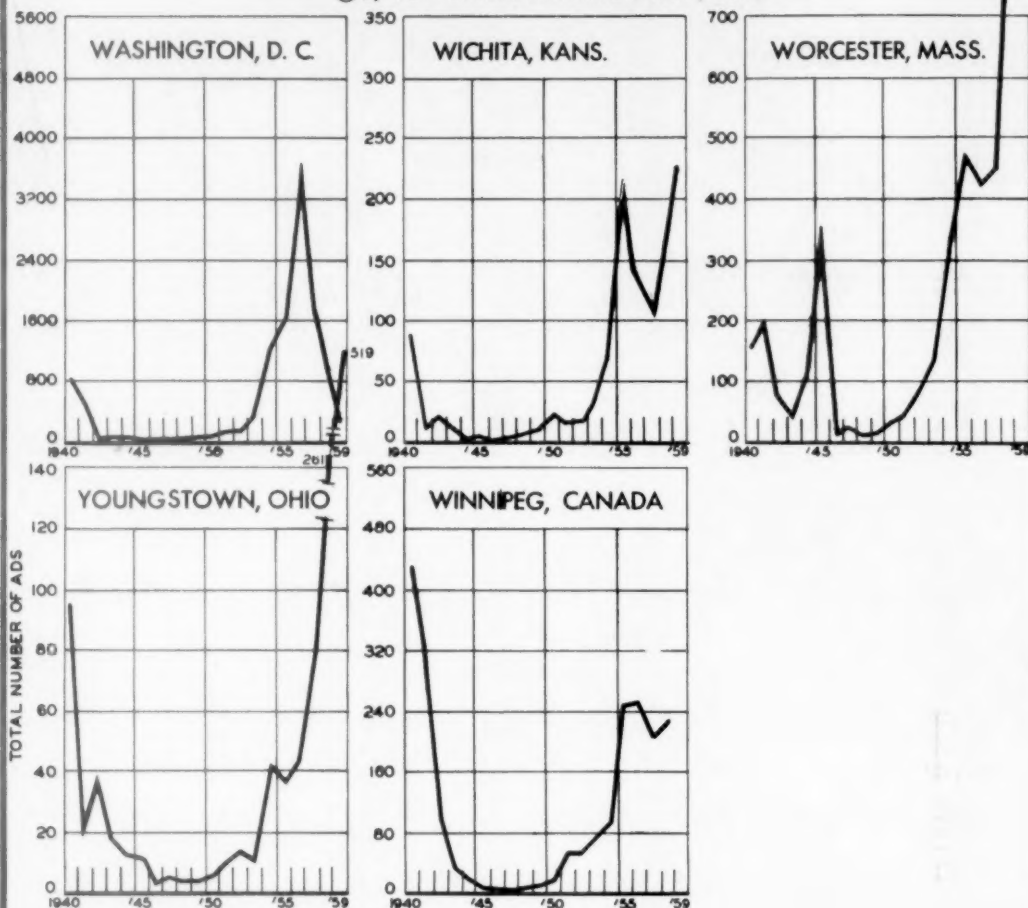
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## TRENDS OF HOUSING SURPLUS OF RENTAL UNITS

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## REVISED OFFICE BUILDING VACANCY INDEX

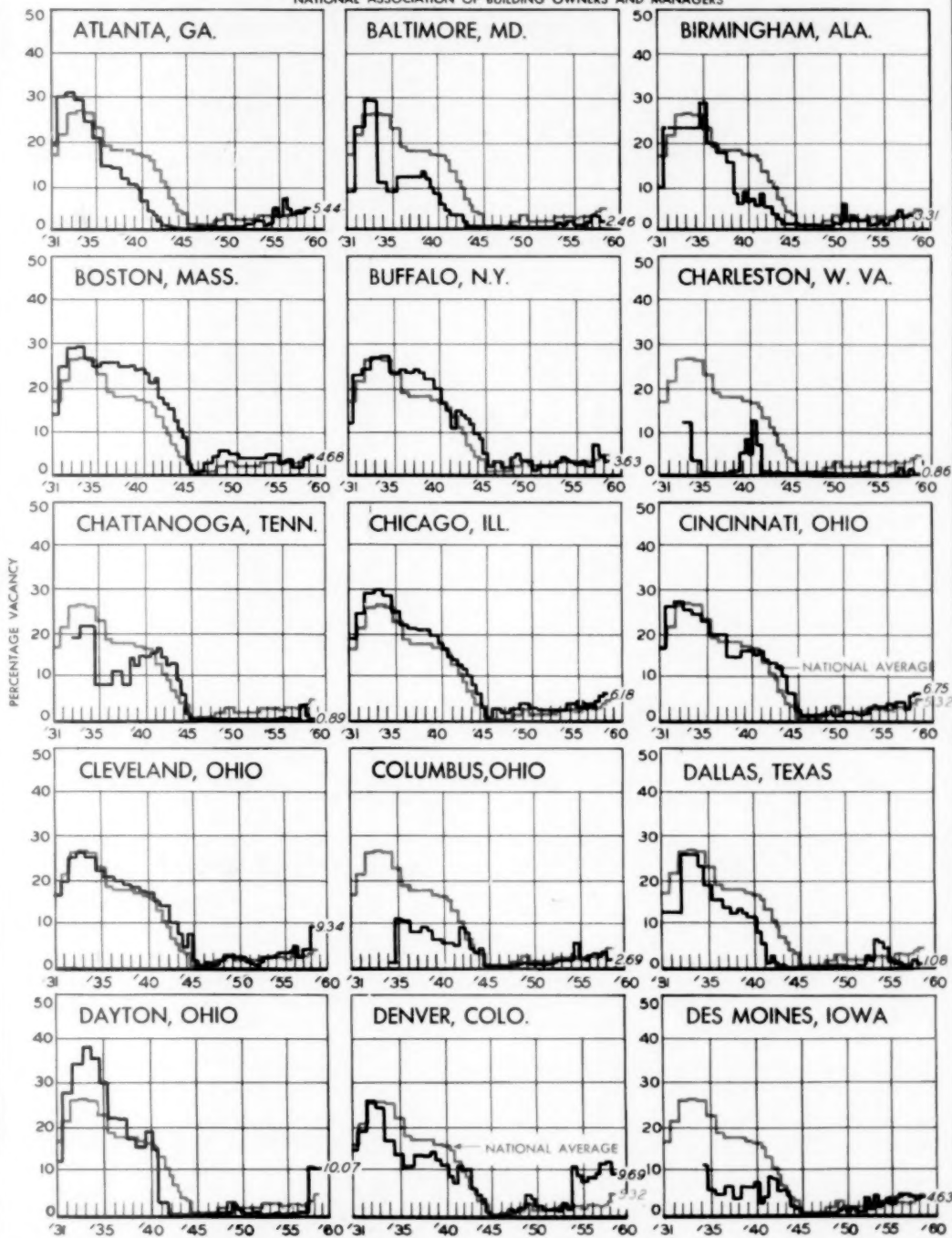
THE office vacancy rates for 1959 charted for 57 cities on the following pages are not strictly comparable with the vacancy rates for the previous year. The National Association of Building Owners and Managers, by whom the data are furnished, have just revised the definition of the vacancy rate to improve its sensitivity to market conditions. Total office space is divided into competitive and noncompetitive space. The vacancy rate is the ratio of vacant competitive space to total competitive space. Here is how the two categories are defined:

Competitive space. "In any commercial office building, the net rentable office area which generally is considered by building owners and managers as potentially available to the open market."

(cont. on page 314)

# OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

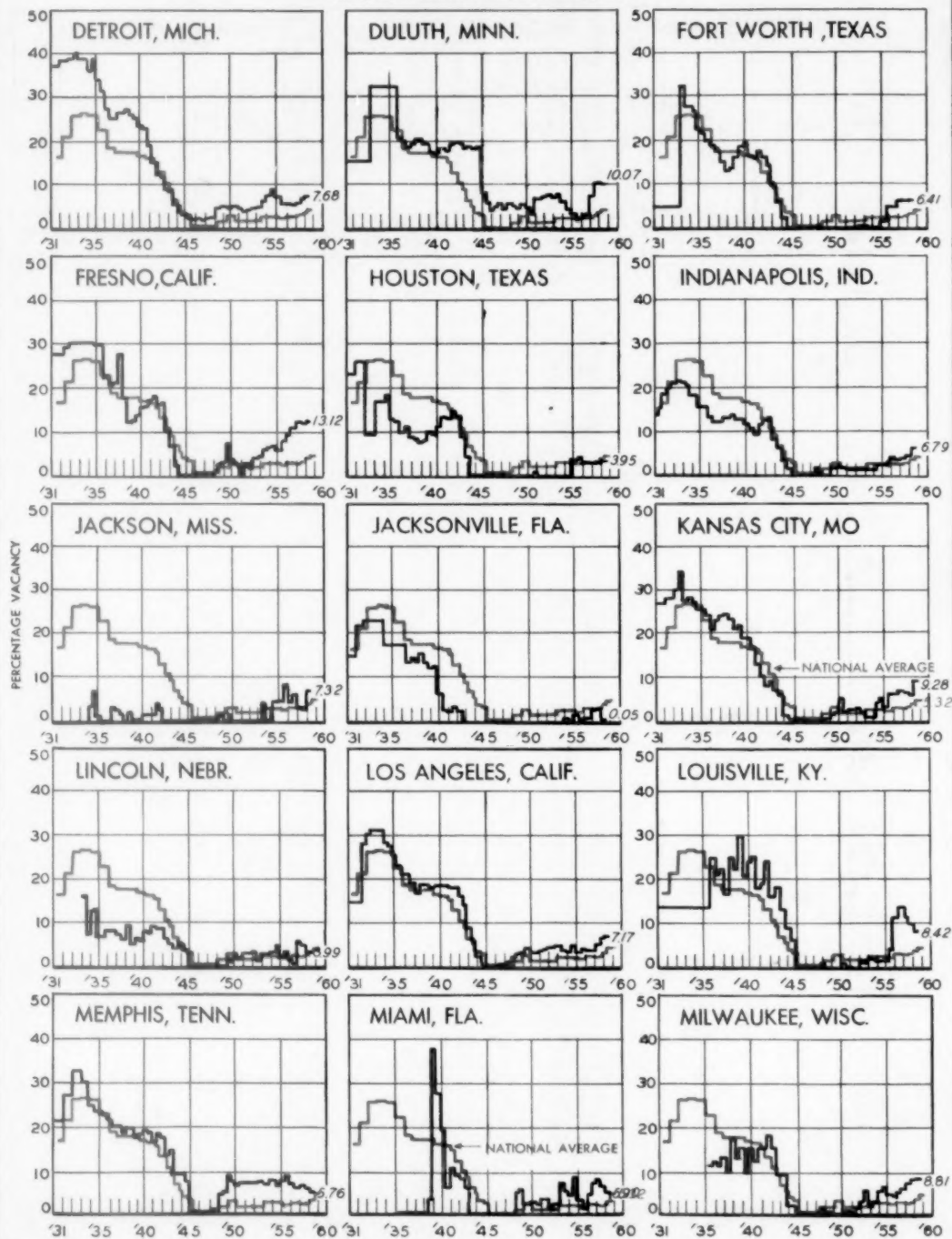
CHARTED BY ROY WENZLICK RESEARCH CORP. FROM DATA FURNISHED BY THE  
NATIONAL ASSOCIATION OF BUILDING OWNERS AND MANAGERS





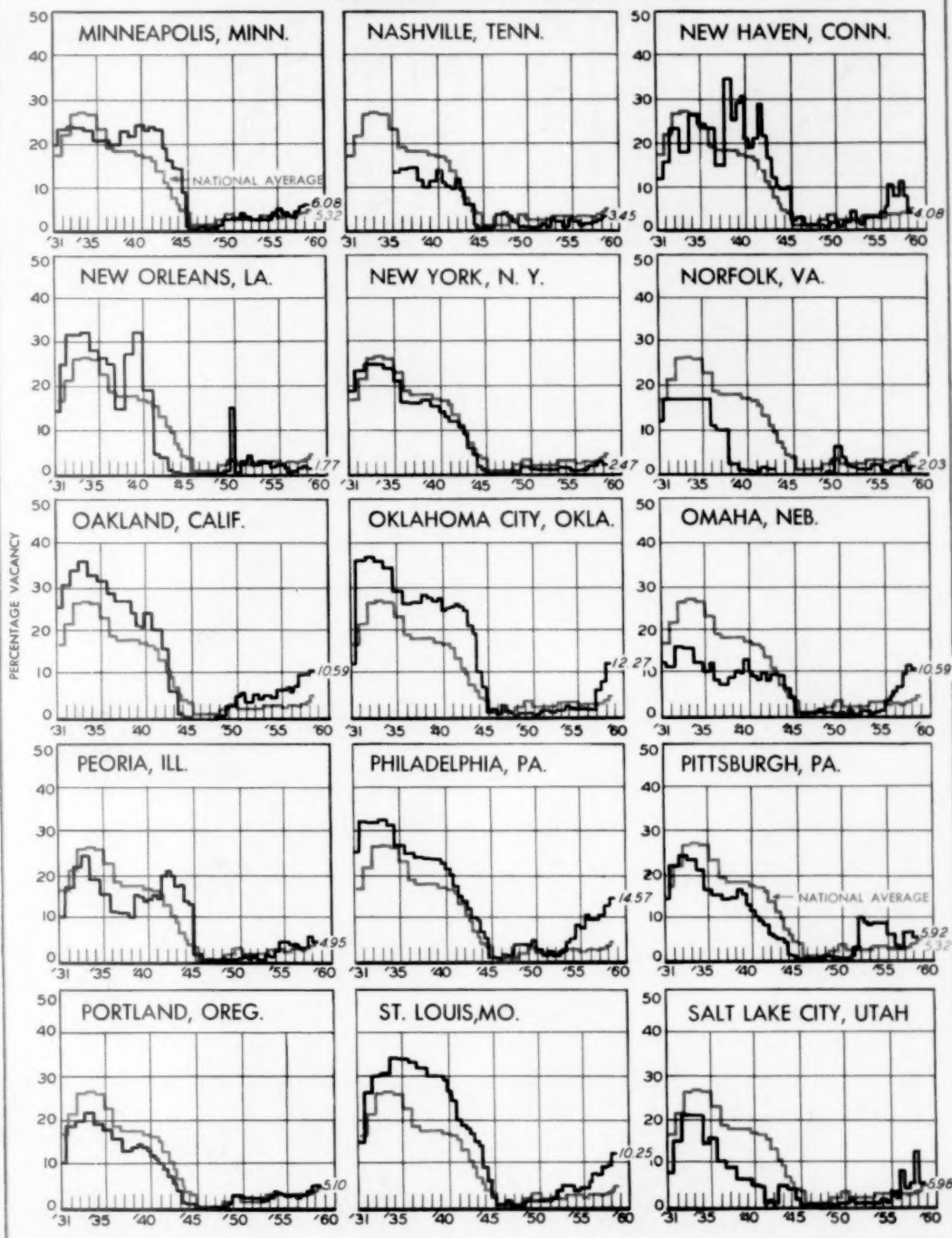
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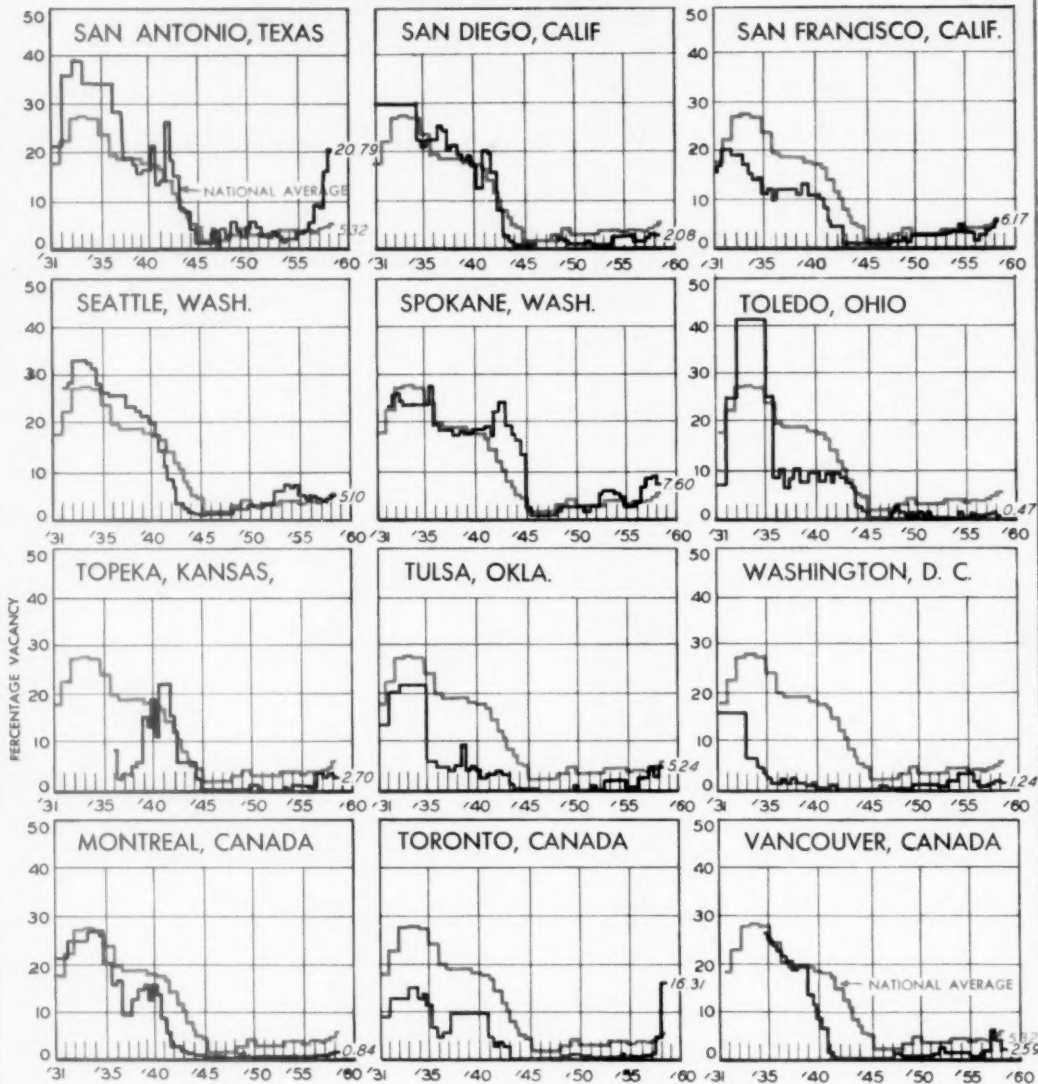
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## OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

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(cont. from page 310)

Noncompetitive space. "In any commercial building wholly owned or leased by one company, the net rentable office area which generally is considered by building owners and managers as permanently occupied by the owner or single-tenant lessor."

As of the first of May 1959 the national average rate of competitive office space vacant is 5.32 percent. Using the old system, the rate of office vacancy as of May 1, 1959, is 4.56 percent, which is only .14 percent higher than for October 1958.

